

Memorandum

To: Commissioners Kroshus, Fedorchak and Christmann

From: Victor Schock Public Utility Analyst

VS

Date: June 3, 2021

Re: Otter Tail Power Company
February 2021 Extreme Cold Weather Event Investigation – Electric
Case No. PU-21-106

On March 31, 2021 Otter Tail Power Company (OTP) filed its responses to the Commission's data requests relative to OTP's electric fuel cost rider (FCR) impacts from the February 2021 cold weather event.

The responses, which can be found in docket item 2 of the above captioned case, detail the impacts of the cold weather event on OTP ND electric customers. I found additional information relevant to this event in docket item 10 of Case No. PU-21-13, which is OTP's monthly FCR.

The calculation of the FCR is done on a rolling 4-month basis, whereby the actual sales and cost data from the prior four months along with over/under collections is used to set the rate for the upcoming month. Based on the 4 historical months used for the Feb. 2021 FCR, about \$9.6 million in fuel and purchase costs were expected to be recovered in Feb 2021. Actual fuel and purchases costs in Feb. were \$14.5 million, or about \$5 million higher. On the other hand, MISO sales margins contemplated in setting the Feb. FCR rate were only \$.2 million whereas actual MISO sales margins were about \$1 million, or \$.8 million higher. The net impact was an increase in the overall net FCR cost of about \$4.5 million.

The end result of Feb 2021 FCR costs and recoveries is an increase from the March 2021 rate of 2.2 cents per kWh to 2.604 cents per kWh for April 2021 through the FCR true-up mechanism. Rather than spending a great deal of time getting into the calculation of this rate, it may be easier to view the attached report that shows the monthly fuel cost charge for the years of 2020 and 2021. I think these two charts show that the February 2021 cold weather event brought about a temporary marginal increase in the FCR. The resulting impact is not significant, amounting to about \$4.04 per month from March to April for a customer using 1000 kWh, followed by a decrease of \$2.76 from April to May.

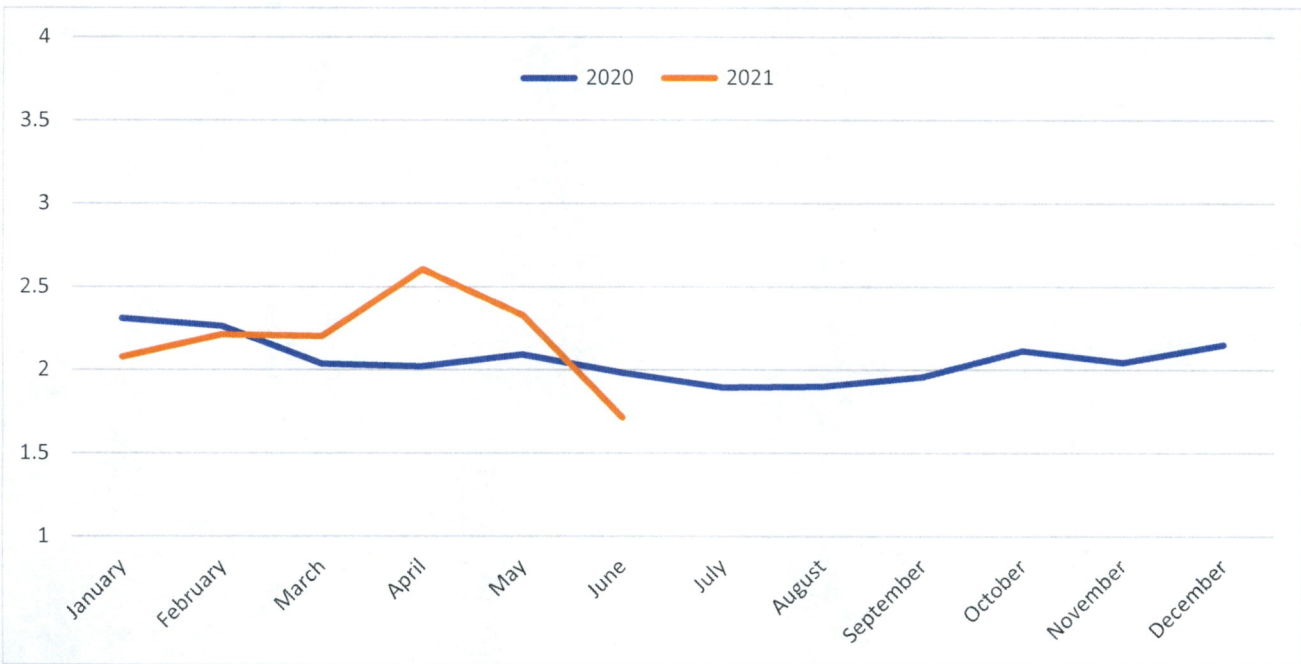
In contrast to Montana-Dakota Utilities Co., OTP's over/under collected balance does not accumulate for 12 months, but rather the over/under collected balance is incorporated into each monthly rate as the actuals become available. This generally happens 30 days after the end of any particular month, which means the over collected balance resulting

from February 2021 was included in the revenue requirements used to set the April 2021 rate.

Based on its investigation staff recommends that no further action be taken and the case be closed.

Otter Tail Power Company Historical Trend of FCR Charges (Residential)

2020	Cents/kWh	Bill Impact	2021	Cents/kWh	Bill Impact
January	2.31000	\$23.10	January	2.07563	\$20.76
February	2.26200	\$22.62	February	2.21093	\$22.11
March	2.03500	\$20.35	March	2.20000	\$22.00
April	2.02000	\$20.20	April	2.60400	\$26.04
May	2.09200	\$20.92	May	2.32778	\$23.28
June	1.98100	\$19.81	June	1.71200	\$17.12
July	1.89420	\$18.94			
August	1.89830	\$18.98			
September	1.95673	\$19.57			
October	2.11458	\$21.15			
November	2.04283	\$20.43			
December	2.15045	\$21.50			



Bill Impact equals 1000 kWh times the monthly rate